

## **CAPITAL GAINS TAX: PRIVATE RESIDENCE RELIEF**

Private Residence Relief reduces any gain arising on the disposal of your home.

Full relief from Capital Gains Tax (CGT) is available provided that during your period of ownership:-

- it has been your only or main residence throughout;
- there have been no periods where it has not been your home, other than for allowed periods of absence or because you were living in job-related accommodation;
- the garden and grounds are within the permitted area; and
- no part of your home has been used exclusively for business purposes.

Where only some of the conditions are met, you may still get partial relief.

If you make a loss on the disposal of your home which would otherwise qualify for relief, this is not an allowable loss and cannot therefore be deducted from other gains. If you would have got partial relief, part of the loss will be allowable and part will not.

### **Your home**

<b>Dwelling house</b>	<ul style="list-style-type: none"> <li>• This may be a single building (e.g. a detached house), more than one building (e.g. a house with a detached garage), or part of a building (e.g. a flat).</li> <li>• If there is more than one building, the relief may not extend to all of these if you have garden or grounds larger than the permitted area.</li> </ul>
<b>Only or main residence</b>	<ul style="list-style-type: none"> <li>• An individual can only have one main residence at a time that qualifies for relief.</li> <li>• If you have a combination of two or more houses that you live in as your main residence, when that combination changes you must nominate which residence is to be treated as your main residence otherwise this will be determined on the facts.</li> <li>• Married couples and civil partners who are not separated can only have one main residence between them.</li> <li>• With multiple properties, if a nomination is not made, HM Revenue &amp; Customs will determine which residence qualifies as your main residence based on the facts, often considering the quality of occupation ahead of the quantity.</li> <li>• From 6 April 2015 any residence owned by a UK or non-UK resident will only be capable of qualifying for relief if it is located in a territory in which the individual is resident or, where it is located in a different territory, the individual spends at least 90 midnights in the property during the tax year (the 'day count test').</li> </ul>
<b>Period of ownership</b>	<ul style="list-style-type: none"> <li>• This begins on the date you first acquire the dwelling house or 31 March 1982 (if that is later) and ends when you dispose of it.</li> </ul>
<b>Garden and grounds</b>	<ul style="list-style-type: none"> <li>• Relief extends to the garden and grounds, including any other buildings within this, up to the permitted area of half a hectare (just over one acre).</li> <li>• The permitted area can be larger than this if it is required for the reasonable enjoyment of your dwelling house as a home, in which case the size and character of the property will be taken into account.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• If, during the period of ownership there are times when the dwelling house has not been your only or main residence, the gain is split between qualifying and non-qualifying periods.</li> <li>• Non-qualifying periods may still qualify for relief if the period of absence meets certain conditions to be treated as a period of actual occupation or you were living in job-related accommodation.</li> <li>• If you only get partial relief because you have let some or all of your dwelling house as residential accommodation, you may be entitled to a further letting relief.</li> </ul>

This factsheet contains general advice only based on our understanding of current legislation. It should not be relied on as a basis for any decision or action. Professional advice specific to the situation should always be obtained.

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### **Periods of absence**

When you were not using the dwelling house as your only or main residence there are certain periods that can be treated as periods of actual occupation and therefore qualify for relief.

Two periods of absence can qualify at any time, even if you have another dwelling house that qualifies:-

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<b>First 12 months</b>	Applicable if you are unable to occupy your new home because you are not able to sell your old home or you need to carry out refurbishment.
<b>Final 18 months</b>	Always qualifies for relief, regardless of how you use the property, provided the house has been your only or main residence at some point (this period is extended to 36 months for those who are disabled or live in care homes).

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Three further periods of absence can qualify but only if you occupy the dwelling house as your only or main residence both before and after the period of absence and you have no other property eligible for relief (if there is you will need a nomination in favour of the original dwelling house):-

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<b>Three years</b>	Absence for whatever reason, totalling not more than three years in all.
<b>Four years</b>	Absence totalling not more than four years when:- <ul style="list-style-type: none"><li>• the distance from your place of work prevents you from living at home, or</li><li>• your employer requires you to work away from home in order to do your job effectively.</li></ul>
<b>Full period of absence</b>	Absence during which you are in employment and all your duties are carried on outside the UK.

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The last two absences will also apply if the employment was that of your spouse or civil partner.

### **Job-related accommodation**

If you live in accommodation that is job-related and also own a dwelling house that you intend to occupy as your only or main residence, the house you intend to occupy is treated as actually being occupied by you for tax purposes, even if you never actually live there.

Job-related accommodation is different depending on your employment status:-

- Employed: it must qualify as job-related under the Income Tax rules for living accommodation.
- Self-employed: the accommodation is provided by another person under the terms of a contract that requires you to live in the property and carry on a particular trade.

The property you intend to occupy must be nominated as your main residence. If your intention to live in the dwelling house ends, then it is no longer treated as your residence.

### **Letting relief**

If you have more than one lodger or let part or all of your home, the let parts will not qualify in full for Private Residence Relief. However, a further letting relief can be claimed which is the lowest of:-

- the amount of the Private Residence Relief already calculated, or
- the amount of any chargeable gain you make because of the letting, or
- £40,000 (available to each spouse or civil partner).